

# LIBERTY AND VOCATE.

WHEN POWERS ARE ASSUMED WHICH HAVE NOT BEEN DELEGATED, A NULLIFICATION OF THE ACT IS THE RIGHTFUL REMEDY.—Jefferson.

JAMES M. SMILEY, EDITOR.

LIBERTY, (ML.) SATURDAY, SEPTEMBER 29, 1838.

VOL. 3.—NO. 39.

PRINTED AND PUBLISHED, WEEKLY,  
BY A. W. FORSYTHE.

**TERMS.**—Four Dollars and Fifty cents in advance, Five Dollars if paid within six months, or Five Dollars and Fifty cents at the expiration of the year. No subscription will be discontinued until all arrearages are paid, except at the option of the publisher.

ADVERTISEMENTS inserted at ONE DOLLAR per square, (ten lines, or less,) the first insertion and FIFTY CENTS for each continuance. All advertisements must be marked with the number of insertions required, or they will be continued until forbid, and charged accordingly. Payment to be made when the advertisement is left for insertion, or on demand.

## GEN. McDUFFIE'S LETTER.

CHERRY HILL, July 25th, 1838.

My Dear Sir: I have received your friendly letter, expressing a desire to know my opinion on the questions which now agitate the country, relative to the custody of the public money of the United States, and the regulation of the general currency and exchanges. As I never had a political opinion which I was unwilling to disclose, I have no hesitation in answering your enquiries. I have regretted to perceive, what you state, that contradictory versions of my opinions have prevailed in different quarters, owing, I presume, to the fact that I do not concur entirely with either of the political parties; recently organized upon the basis of these questions. It is deeply to be regretted, indeed, that these questions have been made the foundation of a political organization of the great political parties contending for the Presidency, though I admit that this result could scarcely be avoided. Such an organization is exceedingly unpropitious to the cause of truth, and almost entirely precludes the possibility of a discriminating judgment. You must take the whole or reject the whole by the practical canons of party discipline. A most unfortunate change has been the consequence on the whole subject of Banking, and of the connexion of the government with the banks. You are no doubt aware that during all the struggles of the late Bank of the United States, against the warfare urged against it by the federal Executive, I steadfastly sustained that institution on the grounds both of its extensiveness and its constitutionality; and I will add that there is no part of my public life to which I look back with more satisfaction than to this. I still believe a Bank of the United States to be constitutional, and am as confident as reason and experience can make me on any similar question, that it is the best practicable means of maintaining a uniform currency, and a low and uniform rate of exchanges over the whole United States, so long as paper money constitutes the larger portion of our actual currency.

But I am constrained to say that in the extraordinary disjunction and conjunction of political parties which have recently taken place, I am left almost as "solitary and alone," on the subject of a Bank of the United States, as Mr. Benton was when he put his celebrated ball in motion. I always supported such an institution as an antagonist power to the State Banks, and as a means of restraining their extravagant issues. Its utility consists almost entirely, in my opinion, in the exercises of this salutary control over such State Banks as were inclined to run into excesses.—Such were then the opinions of those with whom I acted. But now the state of opinions is entirely changed, as well as the relations of the Banks. The present advocates of a Bank of the United States, maintain practically, if not in terms, that as Bank credit is the most potent of all the agents for producing wealth, the more we have of it the better; and they seem to regard him as an old fashioned political economist who should doubt that the issue of every additional hundred millions of Bank paper, added just that much wealth to the country. In fact, the party now urging the establishment of a Bank of the United States, are the open apologists and advocates of the pet bank system, which they concurred with me in denouncing, as a most fearful and stupendous system of corruption and of despotic power in the hands of the federal Executive. I was perfectly sincere when I said that it would be easier to resist a President at the head of 50,000 regular troops, than one who wielded such a confederacy of banks.—Yet after this system has utterly failed, those who denounced it when it was a mere experiment, have now adopted it as a stepping stone to a Bank of the United States, with a capital of 50,000,000, to be located in the City of New York! I confess that with my opinions wholly unchanged on the general subject, I should regard a bank establishment under such auspices, thus located and with such a capital, as an institution eminently dangerous to the liberties of the country. I will not disguise my opinion, that a Bank of the United States established under the most favorable circumstances, however perfect as a regulator of the currency, is liable to

become a very dangerous institution in the hands of the Federal Executive.—The old Bank of the United States scrupulously abstained from politics until forced in self defence, to abandon, in some degree, its neutral position. I regarded this as one of its great merits. But what would necessarily be the character of a bank of 50 millions established in New York, under the present circumstances of the country? Bank or no Bank, is clearly and distinctly the issue which is to decide the next Presidential election and to be decided by it. Such a Bank would be unavoidably a mere engine in the hands of the ascendant party, a tremendous instrument of power and mischief thus created and thus wielded. You may recollect that in my last speech on the deposit question, I stated as a reason for supporting the existing bank that its overthrow would produce precisely such a state of anarchy as we now have in the currency and exchanges, that to extricate themselves from such a condition, the people would fly into the arms even of a Government Bank, upon the principle that men will seek refuge from anarchy even in the worst form of despotism. I fear my prediction has been very nearly fulfilled.—For the chances are that any bank established under the prevailing auspices, would be in fact a Government Bank, whatever it might be in form. And here I am reminded of the extraordinary speech of Mr. Clay in which he maintains that the proposed organization of the Treasury, making it independent of Banks, is in fact a Government bank. Whatever other objections may be urged against this treasury scheme, it is certainly free from this. It has not one of the attributes of a bank. It would neither discount notes nor issue bills. It would have no favors to confer upon any body, unless the payment of a just debt may be so regarded. If the fact of drawing upon its own funds to pay its debts, will make the Treasury a bank, every man is a banker.

But to return to the subject of a Bank of the United States. When I found the late Bank of the United States abandoned to its fate by all parties, I came to the conclusion that the wisest course that could be pursued on the subject would be to let every other expedient be fully and fairly tried to incorporate another. Unless the public mind can be brought, as in England, to regard such a bank as a national institution, supported by all parties alike, it will always be a party engine. A party contest for the renewal of the charter at the end of every 10 or 20 years, would be almost equal to a disputed succession in a monarchy. The most painful of all processes is the reform of the currency, by the agency of a National Bank, after several years of unrestrained and excessive bank issues. Such was the case in 1810—'20, and such would be more decidedly the case now. Such dreadful remedies are not to be used every day. And I can scarcely see with patience many of those who co-operated with General Jackson, in destroying the late Bank when it was unpopular, now contending for the establishment of another, when distress has turned the public opinion in favor of a National Bank, under the vain and delusive expectation that it will relieve them from their pecuniary embarrassments. Nothing could prove more conclusively that distress is a bad reasoner, than that people who are involved in debt should expect to be relieved by such an institution. Its very first office would be to correct a redundant currency. Let us see how this would be performed. A bank of fifty millions would probably issue at least thirty millions of its own bills. This would increase the existing redundancy, and of course render it necessary for the State banks to curtail their issues so much the more. In fact, if a National Bank performed its duty, its entire operation at first, would be to increase the pressure upon the State Banks and through these the distresses of the people.

Nothing has surprised me more than that the State Banks should in some quarters of the Union look to a National Bank as a means of relieving them. On the contrary, as far as they are concerned, the National Bank would be worse than an Independent Treasury, with the specie feature as it is called. The public moneys would be of course deposited in the National Bank. Now we know that although the late Bank of the United States was very liberal in its dealings with the State Banks, they were constantly complaining that when their bills were deposited by the Treasurer in that Bank, it habitually demanded the specie for them or drafts upon distant points that were equivalent to specie. This grew out of the common usages of banks, and the obligation of the Bank to place the funds of the Government where they might be wanted. For example, the Government collects a half a million of revenue in Charleston, in the local bills, and deposits them in the Branch of the U. S. Bank. These funds are wanted at Norfolk, and as S. C. Bills will not answer there, the branch demands

specie or a draft on Norfolk which is perhaps as costly to the local Banks.

Upon the whole then, though I believe a well regulated and well conducted Bank of the United States the best means of securing a sound and uniform bank paper currency, I should regard the establishment of a National Bank under the existing auspices as highly dangerous, and calculated to increase instead of diminishing the pecuniary embarrassments of the country.

As to the Independent Treasury system, so far as it proposes to withhold the public deposits from the Banks, I entirely approve of it. Thus far it is simply an abandonment of the pet Bank system, which all parties have condemned and our fatal experience has confirmed the sentence. The objection that it increases the patronage and influence of the Government, is wholly without foundation.—I believe on the contrary that the power of the executive to select favored banks at discretion, to receive the government funds on general deposit, would give it, speaking within bounds, one hundred times as much patronage and influence as the appointment of any probable number of official depositories would confer.

As to the requirement that all dues to the Government shall be paid in specie exclusively, I have been opposed to it from the beginning, believing that it would increase the pressure of the times and render it more difficult for the Banks to resume specie payments. As far as it goes, it would tend to diminish both their means and their motives to resume, though I believe its effects both for good and for evil have been excessively over estimated. Mr. Calhoun contends that the bills of the banks derive their principal credit from their being received by the Government, which he regards as an endorsement by the Government, and Mr. Webster and others seizing upon this idea, drew the inference that if the government withdraws this endorsement, Bank credit will be entirely annihilated!! Now I think both the premises of Mr. Calhoun and the conclusion of his opponents extravagant. A practical view of the operations of the Treasury will make this plain. Though the annual revenue should be thirty millions (and it ought not to be more than half that sum) there would not be at any one time, in the Treasury or in the hands of collecting and disbursing officers, more than five or six millions of dollars, of course five or six millions of money, whether of metal or paper, would perform the fiscal operations of the Treasury. Suppose first that the Government receive this sum in Bank notes, can it be conceived that the Government by receiving six millions of the paper of the banks located where the Government revenue is collected, can operate as an endorsement giving credit to the one hundred and fifty millions of Bank paper of the various Banks throughout the United States, or on the other hand, that the withdrawal of this endorsement by refusing to receive the six millions of Bank paper will destroy the credit of one hundred and fifty millions of that paper, which under no circumstances would ever reach the Treasury? Undoubtedly the banks located where the revenue is collected are greatly benefited by the receipt of their bills by the Government. The exaction of specie in payment of this revenue would withdraw this benefit, but I cannot perceive that a corresponding benefit would accrue to any body else. To the objection that the receipt of bank bills violates that clause of the constitution which implies that the revenue shall be collected in a uniform currency, I will only say that if specie is a uniform currency, so are bills that can be at any moment converted into specie. To be sure it is not as safe, but the government may demand specie at any moment, when it has cause to apprehend danger. But though I am opposed to exacting specie exclusively, I have been very anxious to see Treasury bills or certificates bearing no interest, substituted entirely in the place of both specie and bank bills.—To accomplish this result, it would be necessary to provide that nothing shall be received in payment of dues to the government, but this treasury paper or specie. The result would evidently be that very little would in fact be paid but treasury paper. This would be a very great improvement in the first operations of the government, and I regret that Mr. Calhoun did not make it a part of this plan, instead of merely suggesting it. It would have entirely removed every rational objection to the specie feature of his scheme. It has been wholly misapprehended by Mr. Webster and his associates. As I believe I was the first person in the United States to suggest it, I will now briefly explain my view of it. It is not designed to furnish a general currency, but merely a currency for the fiscal operations of the government. This is its essential character, and it results from that no more of this paper ought ever to be issued than will perform this function. As I have heretofore said the present revenue of the United States, would not prob-

ably require more than six millions of currency to perform all the offices connected with it, from the moment of its collection to that of its disbursement, Congress should, therefore, authorize the issue of this sum and no more, and it should be made re-issuable indefinitely. The value of this paper would be derived, not from its redeemability, as bank paper, notes, but from its receivability by the Treasury, and from the amount being limited to what will be actually absorbed in receipts and payments of the government. Nothing can be more simple and safe and economical. In the first place it would be equivalent to the creation of six millions of specie, which would cost the country nothing, and yet answer the purposes of its treasury, I think better than specie, and much better than bank paper. If the government were to use specie, besides costing the country just six millions instead of nothing, it would create a pressure on the banks, and would be a medium much more affected in the uniformity of its value by the state of the foreign exchanges than this Treasury paper. The rise and fall of foreign exchanges would not affect this paper at all, as it can circulate in this country alone. This would be a great merit, giving it in this respect a decided preference over specie or bank bills. If the Government were to use bank bills, besides being precisely as costly a medium as specie, it would expose the government and people to the hazards of bank insolvency or bank suspension. Moreover the transmission of funds from one point to another, which is very embarrassing to the banks and disturbing to the exchanges, where the government uses bank bills, would produce no such effects, where treasury paper is used. The truth is, then, that the question comes to this, shall the people of the United States use their own credit, which costs them nothing, or that of the banks, which costs as much specie, as the medium of the fiscal operations of the common Treasury? If this be the question, as I think it is, no patriot can hesitate in deciding it. To call this Treasury paper continental money or French assigns would be justly regarded as an absurdity, if it had not been done by a man of Mr. Webster's character. If the Government were to attempt to make this paper a substitute for revenue, instead of the mere medium of collecting it, by making it the means of effecting a permanent loan even of 20 or 30 millions, it would necessarily depreciate, as it will carry no interest, and would be justly liable to the above odious comparisons in a degree proportioned to its excess. The treasury Bills issued at the extra Session, notwithstanding all the unpatriotic efforts of the banks and of mere party politicians to depreciate them, performed the functions of a Treasury Currency perfectly well.—These notes were paid out in the first instance to the public officers and public creditors, passed into the hands of those who had to pay money to the government and thence back into the Treasury.—About six millions of them, I think, performed the whole operation of collecting and disbursing the revenue. Since the attempt of the New England federalists to destroy the credit of the country by denouncing as immoral and irreligious those who would lend money to the government, I have never witnessed anything in the conduct of any party more revolting to my sense of patriotism, than the efforts systematically made to depreciate the credit of the Treasury notes issued at the extra session. What shall we think of the patriotism of men, who could publicly express their exultation that the irredeemable paper of banks was above the par of government paper? Politicians who have placed their hope of advancement upon the combined influence of the banks, or have invested their private funds in them, seem to regard the interest of the people at large as of small consequence when it comes in conflict with that of the banks, and the real ground of the opposition to Treasury paper is that it supercedes as *pro tanto* the use of bank paper, and thus limits the field for bank circulation.

I consider the Constitutional objection to this Treasury paper as unfounded.—Surely the government can receive any thing it chooses, in payment of its debts, even if they were brick bats, provided they are of uniform value, and this paper will be much more uniform than bank paper, and I think, than specie itself. It certainly does not become those who maintain that the government should receive bank paper in discharge of its dues, to deny its right to receive its own paper.—The only power exercised by the government would be the agreement to receive the paper.—Its whole value would be derived from this. Its receipt by the public officers and creditors will be voluntary, and of course no objection can be made to it, by those who have clamored so much against paying those government favorites in specie. They should rather say, to be consistent, "let them take those Treasury rags, if they choose; bank paper is too good for

them." The objection that these are bills of credit, and, therefore, unconstitutional, is without even plausibility. The states only are prohibited from issuing bills of credit; obviously because it would interfere with the power of Congress to regulate the currency. The phrase "bills of credit" too, conveys a technical idea which can only be understood by referring to our revolutionary history. It meant precisely the bills of credit of that day and nothing else. Our Supreme Court in this State, have accordingly decided that the bills of our State bank, are not bills of credit, though they are based entirely on the credit of the State, and constitute a large portion of its currency. But the government of the United States does not propose to make these Treasury notes a general currency. It only proposes to receive them in discharge of its own dues, and to pay them to its own customers with their consent. If they go out of this narrow circle, it will be by the agency of the parties concerned, and because they may happen to answer better than any thing else to transmit funds to a distance. But if the amount issued is limited judiciously, they will soon return to their appropriate sphere of circulation. In a single word, the power to borrow money, either upon stock certificates of Treasury notes, or in any other imaginable mode, is expressly granted to Congress, and though Treasury notes were largely issued during our last war with England, even the New-England federalists, who denied the power of Congress to call the militia into the armies of the country, never questioned its power to issue these notes.

The notion that the issue of these Treasury notes, would convert the Treasury into a bank is purely chimerical. There is not the semblance of reality in it. It would neither receive deposits nor grant loans on discounted notes. To the limited extent of its issues, it would be more appropriate to call it a mint, as it would create, to that extent, what would answer the purposes of the public Treasury, better than coin, without any cost to the people. Now why such vehement opposition to this Treasury paper on the part of those who are so much opposed to the exaction of specie in payment of dues to the Government, when it is obvious that it would supercede the use of specie at the Treasury almost entirely? Is it because it would also supercede the use of Bank bills in the operations of the Treasury? Can it be possible that any patriotic citizen would prefer the interest of a few favored banks, to that of the United States, and therefore, compel the government to use the credit of the banks instead of its own in collecting and disbursing its own revenues? I am aware that many members of Congress at the North have their private interests so deeply involved in the banks, that it is with them a question between self-interest and patriotism. Indeed the great controlling monied interest of the North, exists in the shape of Bank stocks, which sufficiently accounts for the vehemence with which Mr. Webster denounces the proposed Treasury paper as continental money, when plain common sense dictates that if the Government were bankrupt to the amount of a thousand millions, these Treasury certificates, would forever remain at par, as long as the government should continue to collect annually an amount of revenue sufficient to absorb them. The sole foundation of their credit is that the Government will receive them and that their amount does not exceed the sum annually required to collect and disburse the public revenue. Now when it is known that the continental money exceeded this proportion some hundred fold, the absurdity of the suggested analogy must be apparent to those who have not a very strong interest in not perceiving it. But I must close abruptly.—I am on the eve of setting out for Europe, and regret that I have only had time to write this hasty scrawl on so important a subject.

Very sincerely, yours,

GEO. McDUFFIE.

SAM'L. A. TOWNES, Esq.

**LAW CASE.**—The following was stated by a Professor at Paris to his pupils. A gentleman dying, made his will, in which he provided, that if his wife, shortly to be confined, should have a boy, he would take two thirds of the property, and his mother the remainder, but if it was a girl, then the mother was to have two thirds and the daughter one third. Now it happened that a boy and a girl were born. The professor inquired how the property was to be divided according to the wish of the testator. He called up one of his pupils and asked, gravely—"Sir, what was the intention of the testator?" "Sir," answered the student, "it was the intention to have only one child."

"Do you like novels?" said a Miss Languish to her up country lover. "I can't say," answered he, "for I never ate any; but I tell you what, I'm tremendous at a young 'possum!"